

HOUSE BILL 1504

By Fitzhugh

AN ACT to amend Tennessee Code Annotated, Section 8-36-124 and Title 8, Chapter 36, Part 7, relative to improving the retirement benefits of certain Tennessee employees.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Section 8-36-124, is amended by adding the following new subsection:

(c)

(1) If the board of trustees determines, after reviewing the actuarial valuation as of July 1, 2007, that the recommended employer contribution rate for state employees and teachers is less than the rate in effect on June 30, 2007, any excess appropriation contained in the general appropriations act resulting from the reduction in annual contribution requirements for the fiscal year ending June 30, 2008, shall be utilized by the board of trustees as follows:

(A) To increase the amount of any base benefit improvement adopted pursuant to subdivision (a)(3)(A) from five percent (5%) to ten percent (10%). Any such increase shall be effective January 1, 2008, and shall apply to both active and retired members in the groups and systems referenced in subdivision (a)(3), except as otherwise provided in subdivision (c)(4); and

(B) To provide the increase in retirement allowances provided for in SECTION 2 of this act.

(2) Notwithstanding any provision of this subsection (c) or SECTION 2 of this act, if the board of trustees determines that the excess appropriations, if any, are insufficient to fund at least one fifth (1/5) of the liability for providing the

increases in both subdivisions (c)(1) (A) and (c)(1) (B), then no increase shall be granted under this subsection(c) or in SECTION 2 of this act. If the excess appropriations are sufficient to fund at least one-fifth (1/5) of such liability but are insufficient to fund one hundred percent (100%) of the additional liability, then the increase provided for in subdivision (c)(1)(A) shall be reduced proportionately to the nearest one-half percent ($\frac{1}{2}\%$) and the benefits authorized by SECTION 2 of this act shall be reduced proportionate to the reduction of the benefit provided in subdivision (c)(1)(A) so that no increase shall be given beyond the excess appropriations available.

(3) Notwithstanding any provision of this subsection (c) to the contrary, the general assembly is authorized, at its discretion, to appropriate funds for the purpose of either:

(A) Funding one hundred percent (100%) of the liability for providing the increases in both subdivisions (c) (1) (A) and (c) (1) (B), regardless of whether the board of trustees determines under subdivision (c)(1) that excess appropriations exist; or

(B) Funding an amount which, together with the excess appropriations, would fund up to one hundred percent (100%) of the liability for providing the increases in both subdivisions (c) (1) (A) and (c) (1) (B).

(4) This subsection (c) shall not apply to employees of employers participating in the retirement system pursuant to chapter 35, part 2 of this title, unless the governing body of any such employer, after receipt of the liability information from the retirement system, passes a resolution authorizing the increase and accepting the liability thereof. The percentage increase in

retirement allowances resulting from the passage of such a resolution shall be the same as that established for state employees and teachers pursuant to this subsection (c). It is the legislative intent that the state shall realize no increased cost as a result of providing the increase to employees of employers participating in the retirement system pursuant to chapter 35, part 2 of this title. All costs associated with such increase shall be the responsibility of the respective employer.

SECTION 2. Tennessee Code Annotated, Title 8, Chapter 36, Part 7, is amended by adding the following as a new, appropriately designated section:

8-36-7__.

(a)(1) Subject to § 8-36-124(c), the retirement allowance of each retired teacher, wildlife officer, state police officer, firefighter, police officer and general employee shall be increased effective January 1, 2008, in accordance with the following schedule. Such increase shall be in addition to any other increase in retirement benefits provided by this part.

| <u>Date of Retirement</u> | <u>Percentage Increase</u> |
|---------------------------|----------------------------|
| prior to 7/2/75 | 10.0% |
| 7/2/75 - 7/1/77 | 7.5% |
| 7/2/77 - 7/1/79 | 6.0% |
| 7/2/79 - 7/1/81 | 3.0% |
| 7/2/81 - 7/1/83 | 1.2% |
| 7/2/83 - 7/1/85 | 0.9% |
| 7/2/85 - 7/1/87 | 0.5% |
| 7/2/87 - 7/1/89 | 0.3% |

(2)The increase provided by this section shall not be paid retroactively, but shall become effective on January 1, 2008.

(b) As used in this section, "teacher" and "general employee" mean any retired teacher and any retired general employee, as defined in § 8-34-101, and any former teacher or state employee receiving benefits under chapter 39, part 1 of this title.

(c) The provisions of §§ 8-36-102 and 8-36-208(a) shall not be construed to prevent any increase in the retirement allowance of a retiree when such increase is in accordance with this section.

(d) Notwithstanding any provision of the law to the contrary, this section shall not apply to individuals who are members of the retirement system by virtue of their employment with any employer participating in the retirement system pursuant to chapter 35, part 2 of this title, unless the governing body of any such employer passes a resolution to accept the associated liability and costs to provide such benefits. The percentage increase in retirement allowances resulting from the passage of such a resolution shall be the same as that established for state employees and teachers pursuant to § 8-36-124(c). This increase in benefits will become effective following the adoption of the resolution. No retroactive benefits are to be paid under the provisions of this subsection (d). It is the legislative intent that the state shall realize no increased cost as a result of providing the increase to employees of employers participating in the retirement system pursuant to chapter 35, part 2 of this title. All costs associated with such increase shall be the responsibility of the respective employer.

SECTION 3. The provisions of this act shall be subject to the funding being provided in the general appropriations act.

SECTION 4. This act shall take effect upon becoming a law, the public welfare requiring it.

